



Disability Income Replacement Policy

Key terms and definitions

Accumulation of Days to Satisfy Elimination Period

This provision outlines whether or not you can combine days of disability that are not consecutive if they are from the same or related cause in order to satisfy the waiting period in the policy. Most policies define a time frame that these days must fall within in order to be eligible. Common time frames are 6, 12, and 24 months.

Benefit Period

This is the length of time that the insured is able to collect benefits for each disability. Most insurers offer: 2 Year, 5 Year, 10 Year, to age 65, and Lifetime Benefit periods. The longer the benefit period the more expensive the premium will be.

Total Disability

This clause defines what constitutes a complete disability and therefore entitles you to receive full benefits. The better plans require that you be under the care of your physician and be unable to perform the important or essential duties of your occupation(s) due to an accident or sickness.

Residual Disability

This benefit comes into effect if the insured is not totally disabled, but is suffering a loss of income (usually 20-25%) due to an accident or sickness. The benefit payable is equal to the percentage loss of income multiplied by the total disability benefit. Better contracts pay 100% of benefits if the income loss is 80% or greater. This provision is vital since many disability claims are not from total disability, but from long term partial or residual disability.

Partial Disability

You may be considered partially disabled if you are not totally disabled and are working at a reduced level. However, this differs from residual disability as there is no requirement to show a loss of income (as it's based on a loss of time and duties). Policies provide a schedule for the level of benefit that the insured would qualify to receive. Often it is limited to a maximum 50% of the monthly benefit for a limited benefit period such as 6, 12, or 24 months. Some plans also offer a continuing benefit (often

25%) till age 65. This benefit may be included in the policy in addition to residual benefits providing the choice of claiming partial or residual during a claim.

Elimination Period

The elimination period is also sometimes referred to as the "Waiting Period." This is the length of time that must elapse after the onset of the accident or sickness before the insured becomes eligible to receive disability benefits from the insurer. The most common levels chosen are 30, 60, or 90 days and you can split your benefit amount among 2 different EPs. The shorter the EP the more expensive the premium will be.

Exclusions

These are illnesses/situations that the policy will not cover if you become disabled. The normal 4 that are found in contracts include being disabled in an act of war, normal pregnancy (complications are covered), incarceration and transplant/cosmetic surgery performed within the first 6 months that the policy is in force. Additional exclusions can be added upon issue of the policy if you have previous sicknesses, injuries, and/or dangerous hobbies/activities. They can be of a medical nature (e.g. mental nervous disorders) or of a recreational nature (e.g. rock climbing).

Grace Period

This is the period of time (usually 31 days) after the premium is due, during which the policy remains in force and the insured is fully protected. Once the grace period expires, full medical and financial underwriting is required to reinstate the policy and all back premiums must be paid.

Guarantees: Non-Cancellable Guaranteed Continuable

The policy and premium are guaranteed by the insurance company once issued.

Guarantees: Non-Cancellable Guaranteed Renewable

The contract is guaranteed but premiums are not. The insurance company cannot single out one individual and raise their premium, but they can choose to raise the premiums for an entire class of individuals. For example: all doctors or all females.

Guarantees: Cancellable

The insurance company can change the premium or contract and cancel the policy.

Incontestability Clause

The period of time (usually 2 years) that an insurance company can cancel or alter a contract issued due to material misrepresentation on the application.

Integration of Benefits

Clause found in some contracts that reduces benefits payable at claim if prior earnings are less than a defined benchmark and/or benefits are received from another source.

Portability

Enables the insured to work, travel, and/or reside outside of Canada and still maintain the disability policy and collect benefits in the event of an accident or sickness. There is no requirement to maintain any ties to Canada such as property or membership in any associations.

Pre-disability Income

This provision defines what income prior to disability is for the purpose of determining residual benefits or the integration clause

Presumptive Disability

In the event the insured suffers the total and permanent loss of sight in both eyes, hearing in both ears, speech, or the use of two limbs, total disability is payable even if the insured is still able to work in their own occupation or any other occupation. Some plans require severance of the limb at or above certain joints in order to be payable.

Recovery Benefit

A provision which allows for the continuation of benefits for a set period of time after the insured returns to work following a disability. Each contract is different in how these benefits are paid. Some contracts will dictate an amount of time disabled before they are eligible to receive these benefits and some will base the length of time these benefits are payable on how long the disability lasted.

Recurrent Disability

This is a provision which protects the insured when she or he returns to work after a period of disability. If she or he becomes disabled again from the same or related cause within a specific period of time (6 or 12 months), then payments are resumed and the waiting period does not need to be satisfied again.

Renewability

Defines how long a policy can remain in force. Some contracts provide lifetime renewability providing you continue to work a minimum number of hours past age 65 (usually 30 hours).

Survivorship Benefit

If you were to die before age 65 while receiving disability proceeds, the insurer would pay a lump sum death benefit of usually 3 times the monthly benefit to your estate.

Waiver of Premium

A provision in the policy that will waive premiums during a claim. Different contracts will waive premiums after different periods of time (e.g. one may waive the premium upon satisfying the EP while others will state a 90 day time frame). Some insurers also reimburse the premiums paid back to the start of disability once the waiver is in effect.

OPTIONAL DISABILITY RIDERS

Accidental Death and Dismemberment

This benefit provides you with a lump sum payment, in addition to any other benefits payable under the policy if an accident causes loss of life, sight, or two limbs, or the total and irrevocable loss of use of two limbs, within a "specified period after the Accident."

Cost-of-Living Benefit

This benefit ensures that while on claim, the purchasing power of your benefit dollar is increased at specific periods (every 6 or 12 months). There are two formulas which can generally be utilized when applying for coverage: 1. CPI index (with or without minimums and maximums) 2. Simple interest

Guaranteed Insurability

Also called FIO, FNR, GIO, AIR, and FEPO by different insurers. This benefit allows the insured to purchase additional coverage in the future without the need to provide evidence of good health. Financial evidence is required to ensure that the applicant's earned income is sufficient to qualify for additional coverage. However, not all insurers guarantee that the quality of the additional coverage will be the same as your original policy (i.e. it may only be as good as they offer at that time). This is an extremely important distinction between the various carriers, especially if you have not yet reached your earnings cap or potential.

Health Care Rider

If you are HIV positive or a Hepatitis B or C carrier and a legislative or regulatory body prohibits your ability to work, or requires you to inform your patients that you are positive, disability benefits are payable. Premiums are not normally guaranteed for this rider. Hospital Confinement Benefit This is an optional benefit which pays full total disability benefits while the insured is hospitalized during the elimination period (no waiting period needs to be satisfied).

Lifetime Benefits

This rider ensures that the insured will receive disability proceeds for lifetime or until there is a recovery. This benefit is payable if the insured becomes disabled before age 55, and remains disabled past 65. Total disabilities occurring as a result of sickness after age 55 are paid on a reduced basis after age 65.

Own Occupation

An "Own Occupation" or specialty clause (also known as "true own occ. or own occ. plus) allows you to continue to receive full benefits if you are totally disabled out of your specialty, but choose to work in another occupation. What most clients need to consider is "how likely is it that I could be totally disabled out of my specialty and still able to work in another occupation."

Retirement Protector

While you are disabled, your ability to accumulate funds for retirement is compromised. This benefit provides a designated monthly amount of funds in addition to your basic benefit, which would be placed into a trust for you for retirement. These payments would continue to be paid for you until you recover, or until you reach age 65.

Return of Premium

This rider provides refunds a percentage of premiums (often up to 50%) if claims have been minimal or non-existent. To add this benefit to the basic policy, the base premium will sometimes increase by 50%.